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West Berlin

The outlook for West Berlin's political and social stability and future economic viability has improved measurably in recent years.

--Opinion polls reflect a more optimistic mood today among West Berliners regarding life in the city and the city's future.

--US officials report tourism is up and emigration has slackened.

The Allies continue to enjoy broad popular support for their presence, but there have been signs that West Berliners are increasingly willing to question the Allies' special rights and privileges.

The Economic Scene

A period of economic decline that lasted two decades appears to have bottomed out in 1982. Over the last three years, the city's growth rates of investment, employment, and real GDP have surpassed those for West Germany as a whole. Even manufacturing employment increased this year after 15 consecutive years of decline. Prospects for continuing improvement are reasonably good.

--Since January, Bonn has been allocating its subsidies to Berlin firms more effectively: the amount of subsidy now depends directly on the firm's values-added in Berlin.

--West Berlin is well-placed to benefit from the high tech revolution; for example, about 10 percent of West Germany's scientists reside there.

This paper was prepared by [redacted] Office of European Analysis. Comments and questions are welcome and may be addressed to [redacted] Chief, West European Division on [redacted]

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- The demographic situation is improving, and the city's population structure is approaching that of West Germany as a whole. In particular, the proportion of elderly is declining.

Nonetheless, West Berlin still suffers from several structural handicaps: high population density with no real suburbs or hinterland, physical isolation, and additional transportation costs.

- To offset these problems, Bonn continues to provide extensive subsidies and tax breaks. We estimate the total annual cost to be 20 to 25 billion DM -- equal to about 10 percent of the West German budget, excluding social security. Bonn, for example, directly covers just over 50 percent of the city's budget.

- We expect Bonn to continue its financial support given the city's importance to the West Germans. Indeed, one recent poll noted that only 13 percent of West German respondents want aid to the city reduced; one-half support the current level, and one-fourth want it increased.

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The Allied Presence

Popular attitudes towards the Allies remain generally favorable -- 78 percent of the respondents in a recent poll agreed that the Allied presence is necessary to safeguard the city's freedom. There are signs, however, that many residents are becoming less tolerant of the rights and privileges that surround the Allied presence. The young, in particular, appear to question certain aspects of the Allied role.

- A recent British plan to build a shooting range in the Gatow area generated a public protest that quickly became a cause celebre when the Allies insisted that the suit filed by local residents be heard in British, not West Berlin, courts.
- A public campaign, led by Mayor Diepgen, to "clean up" outdated regulations imposed by the Allies after the war has been used by some journalists and politicians to portray the Allied role as anachronistic and unnecessary.
- A campaign also is underway to obtain greater authority for local courts in some matters involving Allied personnel. The Social Democrats have even introduced legislation to that effect in the West Berlin House of Deputies.
- Politicians of all political stripes are advocating expanding the city's legal and political ties with the Federal Republic and the city's dialogue with East Berlin. US Mission officials point out that these efforts could create new difficulties with the Soviets, who remain sensitive to the federal presence in the city. Moreover, Allied authority could be weakened if a dispute developed

between the Allied and West Berlin authorities over closer ties to the Federal Republic and East Berlin. The major Allied concern is that such ties might, directly or indirectly, lead to changes in Berlin's Four-Power status.

Although we believe impatience with the status quo could cause future problems, the Allies at present face no overt challenge to their presence in West Berlin. We know of no group, with the possible exception of some members of the AL, that wants to reduce the level of Allied forces or jeopardize the mission of these forces.

WEST BERLIN: SHARE OF WEST GERMAN EMPLOYMENT, POPULATION AND GDP



WEST BERLIN: EXTERNAL TRADE BY REGION

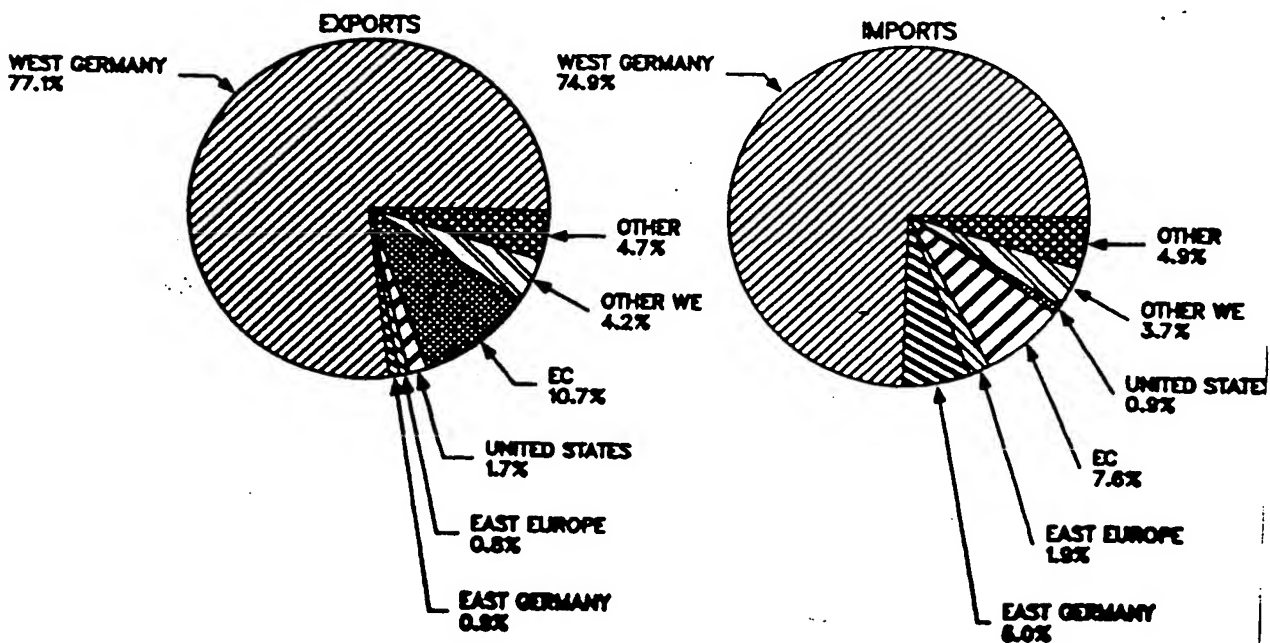


Table 1: West Berlin Elections, 1946-1985

	<u>1946</u>	<u>1948</u>	<u>1950</u>	<u>1954</u>	<u>1958</u>	<u>1963</u>	<u>1967</u>	<u>1971</u>	<u>1975</u>	<u>1979</u>	<u>1981</u>	<u>1985</u>
SPD	51.8	64.5	44.7	44.6	52.6	61.9	56.9	50.4	42.6	42.7	38.3	32.4
CDU	24.3	19.4	24.6	30.4	37.7	28.8	32.9	38.2	43.9	44.4	48.0	46.4
FDP	10.2	16.1	23.0	12.8	3.8	7.9	7.1	8.5	7.1	8.1	5.6	8.5
SEW	13.7	-	-	2.7	1.9	1.4	2.0	2.3	1.8	1.1	0.6	0.6
AL	-	-	-	-	-	-	-	-	-	3.7	7.2	10.6
Other	-	-	7.7	9.5	4.0	-	1.1	0.6	4.7	0.1	0.3	1.5

SUBJECT: West Berlin

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